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CLASSIFICATION CANCELLED
OR CHANGED TO **UNCLASSIFIED**
BY AUTHORITY OF 66-W-5
DATE NOV 26 1984

Brig. General K. E. Fields, Director of
Military Application, AEC, Washington 25, D. C.

George F. Kraker, Deputy Manager, SPO

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SUPPORT OF FINDINGS AND DETERMINATIONS - ACF PRODUCTION CONTRACT

SYNCH:W-2a

No. 7 of 9 copies, series 9

Reference is made to our teletypes of January 22 and February 5, 1954 relative to providing additional finishing and assembly facilities for the production of TN weapons. As reflected in these teletypes, it is the opinion of this office that the Government's interest is best served if these additional facilities are obtained under agreement with the American Car & Foundry Company. It is our desire to obtain your authorization to utilize a cost-plus-a-fixed-fee type of operating contract for this purpose on the basis of the facts set forth below.

The services to be contracted for include providing all labor, equipment and materials (except for materials provided by the Government) required for the production or procurement of TN mechanical warheads and, if required, of other TN weapon components, all in accordance with schedules and specifications provided by the Atomic Energy Commission or one of its design agencies. These services will, for the most part, be performed in buildings and on land provided by the contractor in the City of Buffalo, New York and with equipment owned in part by the contractor and in part by the Government. Services also include the maintenance and protection of Commission-owned property in accordance with standards established by the Commission. From time to time still other services may be required by the Commission. The cost of these services, including charges for use of the contractor furnished land and buildings is estimated at \$40,000,000 for fiscal year 1955. While no definite forecast can be made now, it is estimated that annual costs for succeeding years will be of the same or greater magnitude.

Although some very early consideration was given to the possibility of utilizing other contractors for the performance of this work, it was soon realized that only ACF had the "know-how", based on their work under other earlier contracts, which would permit achievement of the interim production directives provided by your office.

Because the program proposed for this contract still is fluid and no firm estimate of cost can be made until the contractor has an opportunity to

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OFFICE	Production Coordination	Dep. Mgr.			
SURNAME	Browne:gap	Kraker	(K)	CONTRACTS	(4)
DATE	2/12/54				

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study the requirements for this operation, we have not yet engaged in definitive fee negotiations. We have, however, discussed the matter informally with the contractor's principal representative, Mr. Furrer, and he has agreed to negotiate a fee in good faith, taking into account the fees negotiated for previous AEC contracts, as soon as the necessary information is available.

A letter contract is to be issued in order to provide the contractor with enough lead time to design and build an additional plant and to procure long delivery items of equipment required for the performance of this work. Any shortening of this lead time to permit the negotiation, approval, and final execution of a definitive contract would jeopardize the production schedule. In order for AEC to meet the interim production directives set forth in your teletype of January 4, 1954, it will be necessary to have the first deliveries from the Buffalo plant by October, 1954.

Since schedules, specifications and other standards cannot be fixed for any extended period of time for the work to be accomplished under this proposed contract, it is my opinion and that of my staff that fixed price arrangements cannot be made without risk to both parties.

As mentioned in one of the paragraphs preceding, it is presently contemplated that the contractor will provide the land and buildings in which most of these operations will be carried on. This presumes that, in addition to providing certain existing facilities, the contractor will obtain the necessary land by purchase or long term lease and construct on it a necessary additional building. The contractor's willingness to undertake this cost is predicated on the Government's willingness to make him whole for all such costs. He is willing, under this arrangement, to permit the Government to exercise various options for its continued use of this building after the initial contract term. In the event we are unable to guarantee the writeoff of the contractor's plant costs under this contract, it can be anticipated that the Government will be required to expend funds for these capital improvements. The presently estimated cost of the proposed new building is \$750,000. The cost of procuring the additional land, if this be indicated, is presently unknown.

If you find the above reasons sufficiently compelling, it is requested that you execute the Findings and Determinations attached hereto so that negotiations for these services can proceed.

Enclosure:

Findings and Determinations (5) *w/o Enclosure*

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SURNAME ▶

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Form AEC-818

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FINDINGS AND DETERMINATIONS

AUTHORIZATION FOR TYPE OF CONTRACT

The Santa Fe Operations Office proposes to use a cost-plus-a-fixed-fee contract for the procurement of complete operating services for the production of T_H mechanical warheads and related components in contractor-owned facilities, at an estimated cost, including Government furnished materials, of \$40,000,000 per annum.

I hereby find that at the present time uncertainty exists as to the scope, stability and nature of the operations to be performed and, accordingly, firm schedules and specifications cannot be prepared as the basis for negotiating a contract providing for the operation of this plant on a fixed-price basis.

Upon the basis of findings set forth above, I hereby determine that it is impracticable to secure services of the kind or quality desired without the use of a cost-plus-a-fixed-fee contract; and I hereby authorize the use of said contract.

Date: _____

Director
Division of Military Application
U. S. Atomic Energy Commission



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